

DIVISION
AMERICAN STORES COMPANY
ANNUAL REPORT

Fiscal year ended March 29, 1958



DIRECTORS AND



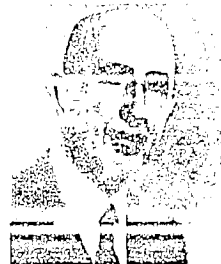
Paul J. Cupp
DIRECTOR
President



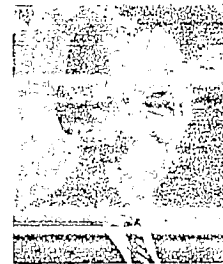
William Park
CHAIRMAN
Board of Directors



Samuel Robinson
DIRECTOR
Former President



Fred J. Heaney
DIRECTOR
Former Vice President



James K. Robinson, Jr.
DIRECTOR
Vice President



Thomas H. Sherrard
DIRECTOR
Vice President



John R. Park
DIRECTOR
Vice President and Treasurer



J. William Hardt
DIRECTOR
Chairman, Board of Contract Review, Phila. Ordnance Dist.



Wilfred D. Gillen
DIRECTOR
President, The Bell Telephone Company of Pennsylvania



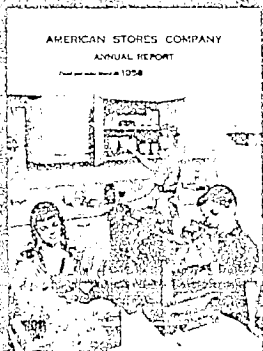
A. J. Faulhaber
DIRECTOR
Vice President



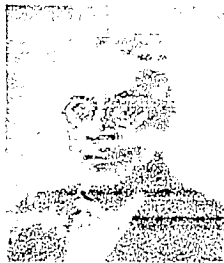
Arthur Littleton
DIRECTOR
Senior Partner Morgan, Lewis & Bockius, Attorneys



Frank L. Spoon
DIRECTOR
Former Vice President



OFFICERS



R. H. Birchard
Vice President



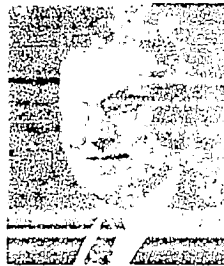
A. Kohr Sprenkle
Vice President



Blayne J. Barton
Vice President



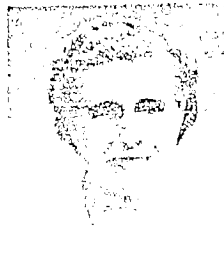
Wm. Carlisle Ferguson
Vice President



S. A. Gould
Assistant to the President



E. A. Colson
Secretary



S. C. Archer
Assistant Treasurer and Assistant Secretary



A. E. Gilfillan
Assistant Secretary



David M. Park
Assistant Treasurer

ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 1958

1958

AMERICAN STORES COMPANY

124 NORTH 15TH STREET PHILADELPHIA, PA.

DIRECTORS

SAMUEL ROBINSON

J. WILLIAM HARDT

WILLIAM PARK

WILFRED D. GILLEN

FRED J. HEANEY

PAUL J. CUPP

JAMES K. ROBINSON, Jr.

A. J. FAULHABER

THOMAS H. SHERRARD

ARTHUR LITTLETON

JOHN R. PARK

FRANK L. SPOON

OFFICERS

WILLIAM PARK, *Chairman, Board of Directors*

PAUL J. CUPP, *President*

JAMES K. ROBINSON, Jr., *Vice President*

A. J. FAULHABER, *Vice President*

R. H. BIRCHARD, *Vice President*

THOMAS H. SHERRARD, *Vice President*

A. KOHR SPRENKLE, *Vice President*

BLAYNEY J. BARTON, *Vice President*

WM. CARLISLE FERGUSON, *Vice President*

JOHN R. PARK, *Vice President and Treasurer*

S. A. GOULD, *Assistant to the President*

E. A. COLSON, *Secretary*

S. C. ARCHER, *Assistant Treasurer and Assistant Secretary*

A. E. GILFILLAN, *Assistant Secretary*

DAVID M. PARK, *Assistant Treasurer*

TRANSFER AGENTS

The First Pennsylvania Banking and Trust Company • Philadelphia, Pa.

Bankers Trust Company • New York, N. Y.

REGISTRARS

Liberty Real Estate Bank and Trust Company • Philadelphia, Pa.

City Bank Farmers Trust Company • New York, N. Y.

STOCK EXCHANGES

New York Stock Exchange

Philadelphia-Baltimore Stock Exchange

H. G. LIG. T

Fifty-two
MARCH 29,
1958

\$837,339,582

10,492,886

52,770,826

92,880,673

1,756,782

5.97

2.00

5%

52.87

47

844

Book value
Stock dividend
Price-earnings ratio
New stores opened
Number of stores at year-end
(a) Adjusted for 5% stock dividend
paid in 1953

5.53 (a)

1.00 (a)

5%

48.03 (a)

50

903

For more comprehensive comparisons see
Fifty-Year Statistical Summary

TO THE STOCKHOLDERS:

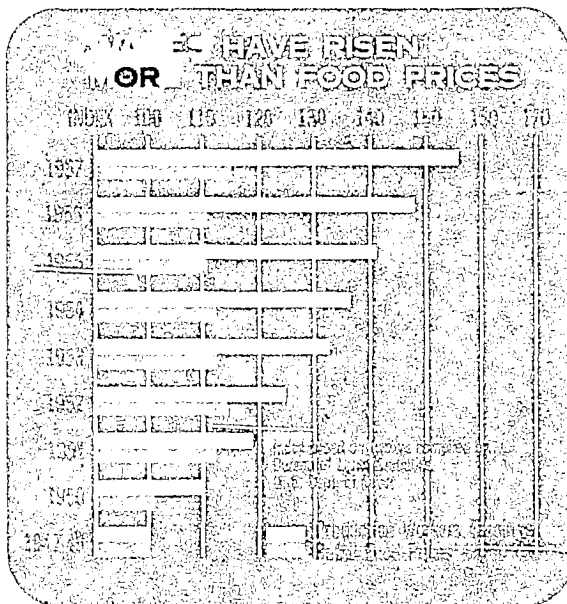
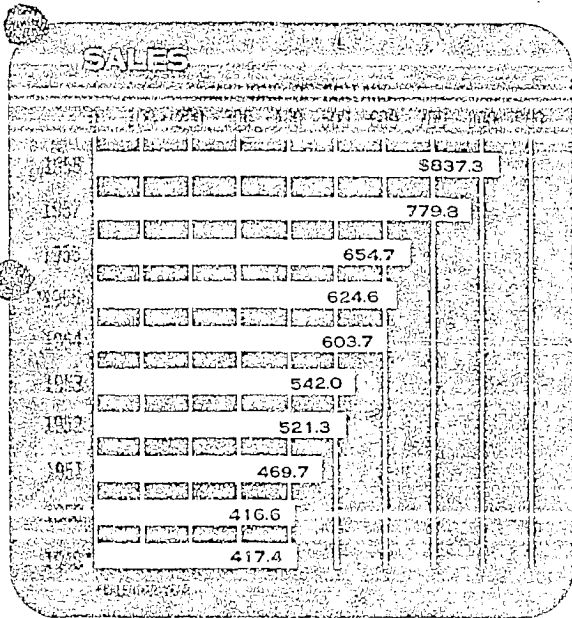
The fiscal year ended March 29, 1958 was another one of record sales and earnings.

Sales increased 7.37% to \$837,339,582 and net earnings increased 8.29% to \$10,492,886. Earnings per share were \$5.97 compared to \$5.53 for the previous year, adjusted for the 5% stock dividend paid March 29, 1958. Operations for the fiscal year are reviewed in the section following the financial statements. We are sure you will find this material interesting.

Although many lines of business are currently experiencing reduced activity to a greater or lesser extent, our sales since March 29, 1958 are showing gains comparable to the rate of increase experienced in the past fiscal year. While it is impossible to predict the level of the general economy for the next twelve months, we feel confident that our sales will continue to show gains over those of the year just completed. Earnings should keep pace with the increased sales.

The full significance of the food industry is little understood by most people. Production, processing and distribution of the nation's food supply constitute the largest industry by a wide margin, with accomplishments that are frequently overlooked.

Research in all segments of the industry combined with able business leadership has brought the American public the greatest variety of nutritious food products to be found anywhere in the world, at prices which are relatively low. Misunderstanding regarding retail food prices is general, with each minor rise of the Retail Food Price Index making the front pages. The simple fact is that an hour of work in the United States will buy more food now than it did five, ten, or even twenty years ago, leaving more spendable income for the many other desirable things that give us the world's best living standard. While factory wages in March, 1958 stood at 162.7% of the 1947-49 average, food is only 119.6% based on figures published by the Bureau of Labor Statistics. In August, 1952 the food index was 116.6.



In addition to maintaining food prices at reasonable levels, the industry has been able to measurably increase the quality and the attractiveness of the merchandise and to greatly expand the variety of items offered at the traditionally low mark-up of the food chains.

At the annual meeting on June 20, 1957 the American Stores Company Employees' Thrift Plan was approved by the stockholders and became effective on October 1, 1957. Employee reaction to the plan has been most gratifying.

At the Board of Directors' meeting following the Annual Meeting, Mr. Paul J. Cupp, President, was designated Chief Executive Officer of the Company. Mr. William Park continued as Chairman of the Board. Also, Mr. Blayney J. Barton, head of the Labor Relations Department, and Mr. Wm. Carlisle Ferguson, head of the Personnel Department, were elected Vice Presidents of the Company.

On April 30, 1958 Mr. Frank L. Spoon retired as Vice President in charge of the Company's meat operations. We will continue to have the benefit of his knowledge and experience as a director.

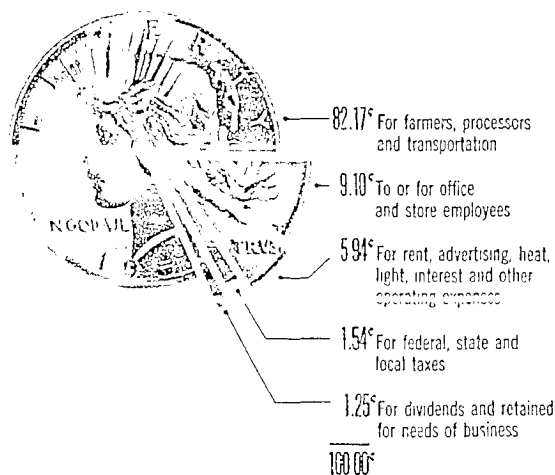
We wish to take this opportunity to express our thanks to the many customers who have provided growing opportunities to serve. We commend our employees for having demonstrated fine teamwork throughout the year, which has made it possible to carry out our objective of providing a constantly improving service to the public. Our greatest confidence for the future lies in our employees.

Respectfully submitted,

Paul J. Cupp *William Park*
President Chairman of the Board

Philadelphia, Pa.
May 22, 1958

HOW OUR SALES DOLLAR WAS DIVIDED



C O U N T N S - E P O -

DEAR MARVIN MITCHELL & CO

CHICAGO, ILL.

JAN. 10, 1935

CHICAGO, ILL.

We have

1934 and the related statement of income for the first
weeks then ended. Our examination was made in 1935, and
with generally accepted auditing standards, and more
included such tests of the accounting records and such
other measures as we considered necessary in
circumstances.

In our opinion, the accompanying consolidated financial
statements and statement of consolidated earnings present fairly
the financial position of American Stores Company and sub-
sidiaries as at March 31, 1935 and the results of their operations
for the City-two weeks then ended, in conformity with gen-
erally accepted accounting principles applied on a basis which
is consistent in all material respects with that of the preceding
period.

DEAR MARVIN MITCHELL & CO

O I D T E - A R N N G

	<i>Fifty-two weeks ended</i>	
	MARCH 29, 1958	MARCH 30, 1957
CURRENT EARNINGS		
Sales:		
Retail stores.....	\$827,652,069	768,500,071
Other.....	9,687,513	11,372,641
	<u>837,339,582</u>	<u>779,872,712</u>
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses.....	688,622,981	641,705,242
Wages, rents, advertising, administrative and other operating expenses.....	120,338,667	111,927,495
Depreciation and amortization.....	6,274,181	5,774,764
	<u>815,235,829</u>	<u>759,407,501</u>
Operating profit.....	22,103,753	20,465,211
Other income (deductions):		
Net gain on sale and retirement of plant and equipment, etc.....	396,116	421,201
Interest expense.....	(646,983)	(816,547)
	<u>(250,867)</u>	<u>(395,346)</u>
Earnings before income taxes.....	21,852,886	20,069,865
Federal and State income taxes, estimated.....	11,360,000	10,380,000
Net earnings.....	<u>\$ 10,492,886</u>	<u>9,689,865</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of period.....	\$ 49,477,648	46,722,405
Net earnings for the period.....	10,492,886	9,689,865
	<u>59,970,534</u>	<u>56,412,270</u>
Deduct:		
Cash dividends—\$2 a share.....	3,339,379	3,173,408
Stock dividend—5%.....	5,688,472	3,761,214
	<u>9,027,851</u>	<u>6,934,622</u>
Balance at end of period.....	<u>\$ 50,942,683</u>	<u>49,477,648</u>

See accompanying notes to financial statements on pages 7 and 8.

CONSOLIDATED

ASSETS	MARCH 29, 1958	MARCH 30, 1957
Current assets:		
Cash.....	\$ 26,207,496	20,987,194
United States Treasury bills.....	994,175	—
Receivables.....	4,257,727	5,145,017
Inventories, at lower of cost or market.....	58,226,499	55,273,991
Prepaid expenses.....	2,011,839	1,846,723
Markets under construction covered by investors' commitments to purchase.....	1,116,669	2,608,906
Total current assets.....	<u>92,814,405</u>	<u>85,861,831</u>
Investment in unconsolidated subsidiaries, etc., at cost or less.....	1,793,194	1,677,977
Plant and equipment:		
Land.....	4,576,716	4,505,025
Buildings.....	24,982,129	24,837,048
Machinery, equipment and fixtures.....	56,128,721	51,179,219
Leasehold improvements.....	8,925,842	7,952,076
Total plant and equipment, at cost.....	94,613,408	88,473,368
Less accumulated depreciation and amortization.....	<u>35,201,581</u>	<u>30,665,079</u>
	59,411,827	57,808,289
Goodwill.....	<u>1</u>	<u>1</u>
	<u>\$154,019,427</u>	<u>145,348,098</u>

NOTES TO FINANCIAL STATEMENTS

(1) NOTES PAYABLE, LONG-TERM. The notes are payable in annual instalments of \$1,125,000 from 1956 inclusive with a final maturity of \$10,375,000 on August 1, 1967. Interest on \$6,150,000 is at the rate of 2% per annum and on the remaining \$14,350,000 at 3% per annum. The notes contain restrictions as to the payment of cash dividends and the reacquisition and retirement of shares of stock of the company. Substantially all earnings retained for use in the business at March 29, 1958 were free of such restrictions.

(2) STOCK OPTIONS. At March 29, 1958 there remained outstanding options granted to 58 officers and employees to purchase 56,981 shares common stock at prices ranging from \$29.61 to \$49.31, such prices being 95% of market price on the respective dates of granting, adjusted for subsequent stock dividends. The options are exercisable on a cumulative basis over a 10-year period. In addition, 47,813 shares common stock were reserved for future options.

BALANCE SHEET

(March 29, 1958, full comparable figures for 1957)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 29, 1958	MARCH 30, 1957
Current liabilities:		
Notes payable, long-term, instalment due within one year (note 1).....	\$ 1,125,000	1,125,000
Accounts payable.....	23,447,146	21,892,278
Accrued expenses.....	6,782,794	6,091,515
Federal and State income taxes, estimated..	8,688,639	8,950,660
Total current liabilities.....	40,043,579	38,059,453
Notes payable, long-term, less instalment due within one year (note 1).....	19,375,000	20,500,000
Provision for:		
Employees' retirement income benefits. . . .	486,175	538,331
Deferred income taxes, applicable to excess of accelerated depreciation deducted for tax purposes over normal depreciation reflected in the financial statements.....	1,234,000	719,000
	1,720,175	1,257,331
Stockholders' equity:		
Common stock of \$1 par value. Authorized 2,000,000 shares. Outstanding 1958 — 1,756,782 shares; 1957—1,667,064 shares (note 2).....	1,756,782	1,667,064
Capital in excess of par value of common stock (note 3).....	40,181,208	34,386,602
Earnings retained for use in the business, less amount capitalized through stock dividends (note 1).....	50,942,683	49,477,648
	92,880,673	85,531,314
	\$154,019,427	145,348,098

(3) CAPITAL IN EXCESS OF PAR VALUE OF COMMON STOCK. During the year this account was increased by:

Excess of assigned value over par value of 83,654 shares common stock issued as a stock dividend.....	\$5,604,818
Excess of sales proceeds over par value of 6,064 shares common stock sold to officers and employees pursuant to exercise of stock options.....	189,635
Miscellaneous	153
	<u>\$5,794,606</u>

(4) LEASE COMMITMENTS. The company was lessee under 539 leases expiring more than three years after March 29, 1958. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance expenses where payable by the lessee) totaling \$8,873,000, of which about 82% relates to leases expiring within 15 years and the remainder relates to leases expiring in from 15 to 25 years

FIFTEEN-YEAR

	52 weeks ended					
	March 29, 1958	March 30, 1957	March 31, 1956	April 2, 1955	April 3, 1954 ^(a)	March 28, 1953
Sales.....	\$ 837,339	779,872	654,727	624,626	603,736	542,035
Earnings before taxes on income.....	21,852	20,069	17,382	14,218	15,678	10,548
Federal and State taxes on income.....	11,360	10,380	9,048	7,203	8,210	5,465
Net earnings.....	10,492	9,689	8,334	7,015	7,468	5,083
Cash dividends.....	(c) 3,339	(c) 3,173	(c) 2,888	(c) 2,743	(c) 2,638	2,603
Earnings for year retained in business.....	7,153	6,516	5,446	4,272	4,830	2,480
Net earnings per sales dollar.....	1.25¢	1.24¢	1.27¢	1.12¢	1.24¢	.94¢
Shares of stock outstanding at year-end.....	1,756,782	1,667,064	1,518,594	1,441,230	1,368,496	1,301,320
Earnings per share (d).....	5.97	5.53	4.97	4.20	4.48	3.06
Current assets.....	92,814	85,861	76,551	69,744	74,088	67,082
Current liabilities.....	40,043	38,059	32,053	26,964	28,932	24,977
Working capital.....	52,771	47,802	44,498	42,780	45,156	42,105
Current ratio.....	2.32	2.26	2.39	2.59	2.56	2.69
Plant and equipment:						
Additions.....	8,197	10,094	8,184	10,832	6,453	3,608
Depreciation and amortization provision.....	6,274	5,774	5,006	4,485	4,226	4,071
Net investment.....	59,411	57,808	52,543	49,883	44,049	42,170
Total assets.....	154,019	145,348	130,192	120,325	118,863	111,172
Long-term debt, less amount due within one year.....	19,375	20,500	21,625	22,750	23,875	25,000
Stockholders' equity:						
Total.....	92,880	85,531	75,599	69,979	65,558	60,652
Per share (d).....	52.87	48.86	45.15	41.94	39.41	36.51
Number of retail stores at year-end:						
Self-service super markets.....	769	763	734	756	761	787
Other stores.....	75	140	219	320	371	502
Total stores.....	844	903	953	1,076	1,132	1,289

(a) 53 week period.

(b) The short period from January 1 to April 2, 1949 is not included in the foregoing summary.
Earnings for such period amounted to \$1,486,281, or \$8.89 per share. (d)

(c) In addition a 5% stock dividend was paid.

(d) Per share figures are based on shares of stock outstanding at year-end, adjusted for subsequent stock dividends.

S E A L S A N D A R M Y

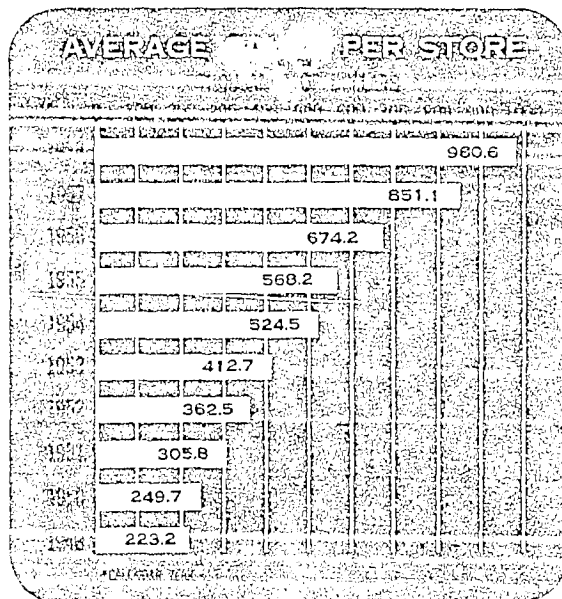
			Year ended December 31					
March 29, 1952	March 31, 1951	April 1, 1950(b)	1948	1947	1946	1945	1944	1943
521,311	469,771	416,644	417,467	388,614	314,575	233,542	227,630	212,082
9,974	14,365	10,924	9,433	9,955	11,808	6,540	6,352	4,484
4,920	7,250	4,180	3,770	4,030	5,807	4,565	4,520	2,775
5,054	7,115	6,744	5,663	5,925	6,001	1,975	1,832	1,709
2,603	2,603	2,212	2,277	2,277	1,562	1,301	1,301	1,301
2,451	4,512	4,532	3,386	3,648	4,439	674	531	408
.97¢	1.51¢	1.62¢	1.36¢	1.52¢	1.91¢	.85¢	.80¢	.81¢
1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320
3.04	4.28	4.06	3.40	3.56	3.61	1.18	1.10	1.02
65,441	70,676	56,865	55,396	56,107	47,784	32,172	30,922	30,168
26,989	23,885	17,471	16,516	16,310	21,809	10,348	9,769	10,604
38,452	46,791	39,394	38,880	39,797	25,975	21,824	21,153	19,564
2.43	2.96	3.25	3.35	3.44	2.19	3.11	3.17	2.84
13,847	10,597	5,789	6,036	6,795	4,165	2,013	966	704
3,608	3,030	2,614	2,091	1,735	1,455	1,631	1,346	1,371
42,336	32,666	25,565	21,943	18,240	13,700	11,285	11,109	12,002
109,984	104,742	84,125	78,301	75,146	62,249	44,003	42,489	42,698
25,000	25,000	15,057	15,172	15,229	286	344	—	—
57,410	54,958	50,446	44,933	41,511	37,859	33,312	32,720	32,093
34.56	33.09	30.37	27.05	24.99	22.79	20.05	19.70	19.32
781	773	765	761	708	665	606	595	579
627	732	872	1,072	1,213	1,347	1,358	1,425	1,487
1,408	1,505	1,637	1,833	1,921	2,012	1,964	2,020	2,066

OPERATING AND FINANCIAL REVIEW:

SALES

Sales for the fiscal year ended March 29, 1958 increased \$57,466,870 or 7.37% over those of the previous fiscal year and set a new record high of \$837,339,582. Most of this increase was accounted for by an increased tonnage of goods sold with the remainder due to a rise in retail food prices.

Average sales per store, as shown by the chart on the right, continued to increase much more rapidly than total sales due to the closing of smaller service stores and markets and the opening of larger volume markets. Average sales per store moved up to \$980,000 compared to \$851,000 for the previous year. Average sales per store have more than doubled in the past five years and are more than four times the average of only ten years ago.



EARNINGS

Net earnings increased by 8.29% to \$10,492,886. This is the first year in which the net earnings of your Company exceeded ten million dollars. Earnings per share were \$5.97 compared to \$5.53 for the previous year, adjusted for the 5% stock dividend paid March 29, 1958. Net earnings per sales dollar were 1.25¢ compared with 1.24¢ the previous year.

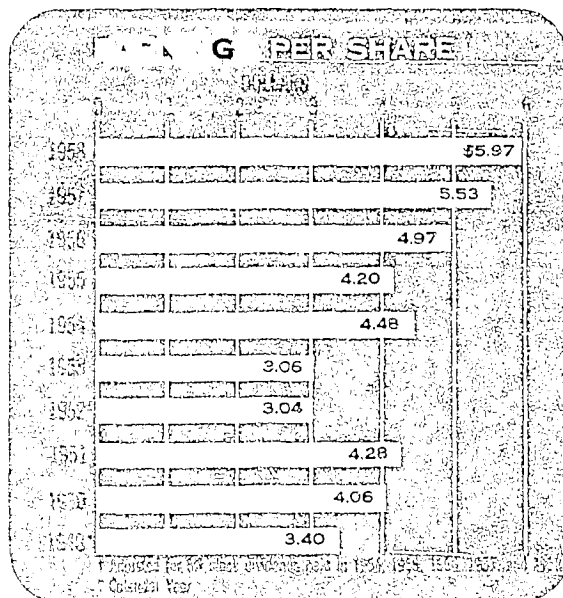
The provision for Federal and State income taxes for the year totalled \$11,360,000, including \$515,000 arising from the excess of accelerated depreciation deducted for tax purposes over normal depreciation reflected in the financial statements.

DIVIDENDS

Cash dividends were again paid at the quarterly rate of 50¢ during the year. Total cash dividends were \$3,339,379. In addition, a 5% stock dividend was paid on March 29, 1958, resulting in the issuance of 83,654 shares. These shares were assigned a value of \$5,688,472, which was charged to retained earnings. This is the fifth consecutive year in which a 5% stock dividend has been paid. These stock dividends have caused an increase in common shares outstanding of over 27% and a related increase in cash dividends.

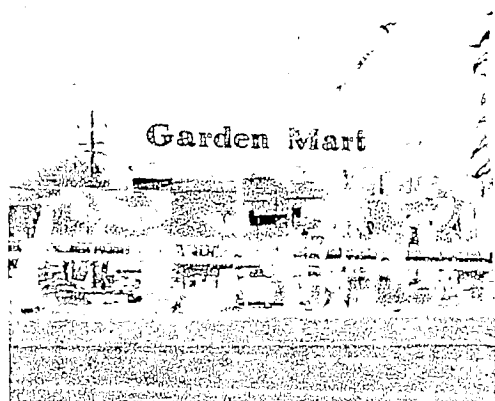
STOCKHOLDERS' EQUITY

Net earnings for the year retained for use in the business, after payment of cash dividends, amounted to \$7,153,507. Total stockholders' equity increased to \$92,880,673, or \$52.87 per share, compared with \$48.86 at the end of the previous

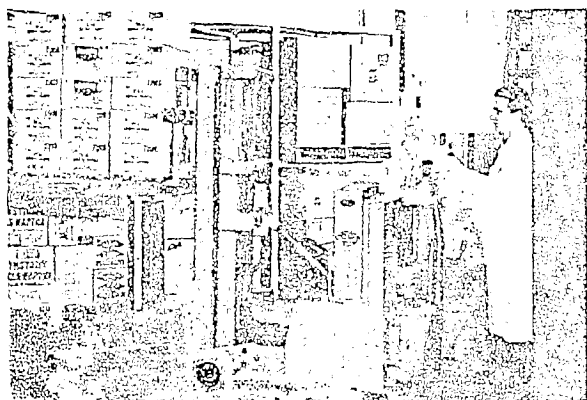




This non-food department offers a wide variety of merchandise



"Garden Marts" such as this have proven very popular in many suburban locations



Power-operated fork-lift trucks like this are being used experimentally in some of our markets

year, adjusted for the 5% stock dividend paid March 29, 1958. Total stockholders' equity has more than doubled in the past nine years, reflecting the significant postwar growth of your Company.

FINANCIAL CONDITION

The financial condition of your Company continues strong. Working capital increased by \$4,968,448 to \$52,770,826. The ratio of current assets to current liabilities was 2.32. Cash and short-term securities increased \$6,214,477 to \$27,201,671 and total assets increased by \$8,671,329 to \$154,019,427. Inventories at the year-end amounted to \$58,226,499, compared with \$55,273,991 at the end of the previous year.

STORE DEVELOPMENTS

During the year 47 new markets were opened, down from the 60 opened in the previous year. This is also lower than our original estimate at the beginning of the fiscal year. Delays were caused by the increasingly tight money market encountered by developers during the first six months of the fiscal year, and by the unusually severe winter weather conditions throughout our territory, which interfered with building operations during the latter part of 1957 and early 1958.

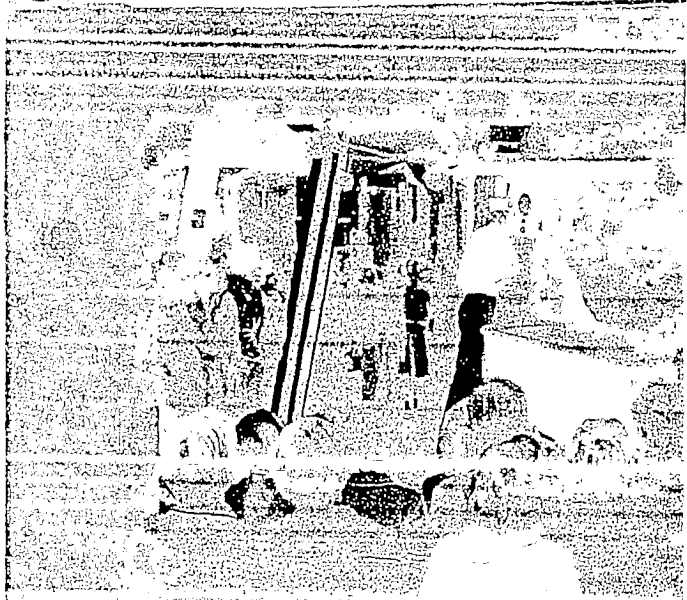
The 47 markets opened last year had an average sales area greater than the average of any previous year's new stores. Most of these stores have not yet reached their full sales potential, and their average weekly sales should continue to increase during the current year.

During the year, 65 of the small service-type stores were closed, leaving only 75 of these units in operation at the year-end. We expect that the current fiscal year will witness a further decline in the number of these stores in operation. Since April 1, 1950 we have closed over 700 such stores.

During the past year 41 of the smaller, inadequate markets were closed. These, deducted from the new markets opened, resulted in a net increase of 6 in the number of markets in operation at the year-end. In the eight years since April 1, 1950 we have opened 386 markets, which is just about half of the markets in operation at the year-end.

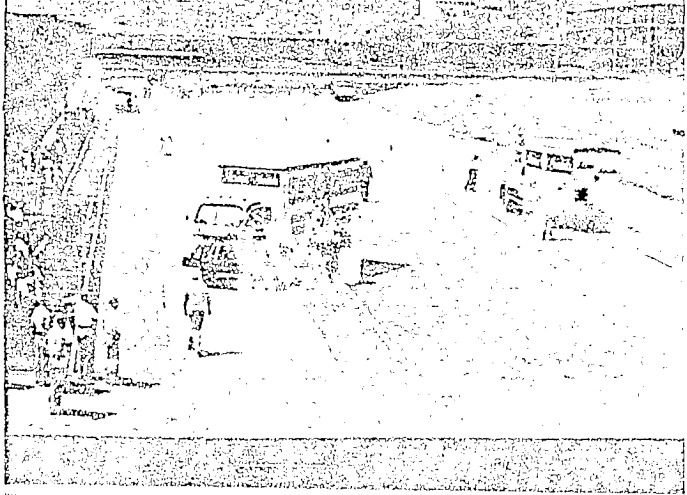
At the present time we have commitments on about 80 locations. While we do not expect to open markets at all of these locations during the current year, we do expect that the number of markets opened will be considerably in excess of last year's total.

We are continuing to adapt the layouts and facilities of our new markets to changing conditions. We have pictured on this page some of these newer features. Shown at the top is a non-food department in one of our larger markets. This particular department is far larger than that found in most of



...at our Philadelphia bakery. Plans such as this are sponsored as part of our efforts to acquaint the public with our operations.

Scheduling last year's "Safe Driver Program" when truck drivers from all parts of our Company gathered to test their driving skills.



our markets today. However, in certain selected locations such as this we are gaining valuable experience in this rapidly growing and much discussed area of the super market industry. Generally, in our non-food operations to date, we have attempted to stock only those non-durable items which have broad consumer acceptance and are not subject to style changes. Such items thus have inventory turnover potentials consistent with food merchandising.

Shown at the center of page 12 is one of a series of "garden marts" which have been installed during the year at certain suburban stores. These have proved to be very popular with our customers.

An experimental innovation is the use of fork lift trucks and palletized merchandise in the store as pictured at the lower left of the opposite page. Merchandise for a particular store is placed on pallets at the warehouse and is handled that way until it reaches the store's sales area for restocking of shelves after store hours. This procedure should result in an overall saving for the Company.

PLANT AND EQUIPMENT

During the year a substantial renovation and modernization was completed at our meat packing plant in Lincoln, Nebraska, which greatly increased our capacity there. In addition, several new products were added to our line. This project was necessitated by the increasing consumer demand for our own branded meat products.

There were no major additions to any of our warehouse or bakery facilities. Normal maintenance was carried out, however, at all these locations. Our fleet of trucks, tractors, trailers and automobiles was maintained in top operating condition, with replacements and additions made throughout the year as necessary.

Total plant and equipment additions during the year for all purposes were \$8,197,159. Depreciation and amortization amounted to \$6,274,181 and the remainder of the cost of plant additions was provided out of retained earnings.

EMPLOYEE RELATIONS

On October 1, 1957 the American Stores Company Employees' Thrift Plan went into effect for the benefit of employees who are not members of bargaining units. The plan

provides for employee savings of up to approximately 5% of his salary, and Company contributions equal to 50% of the employee's savings. The employee's savings are used to purchase U. S. Savings Bonds and the Company's contributions are used to purchase Company common stock. This plan has been most favorably received, with over 90% of those eligible to participate becoming members. Among other things, the plan will encourage employee savings and promote interest in the profitable operation of the Company.

As of March 29, 1958 we had approximately 25,000 full and part-time employees. During the year 142 of these became members of the "Quarter Century Club" by completing 25 years of active service with the Company, and were duly presented with their membership pins. At the year-end there were 1,629 employees with 25 or more years' active service and 443 retired employees who had achieved 25 years or more service at the time of their retirement.

At the year-end we had 751 former employees receiving retirement benefits from the Company's retirement plans.

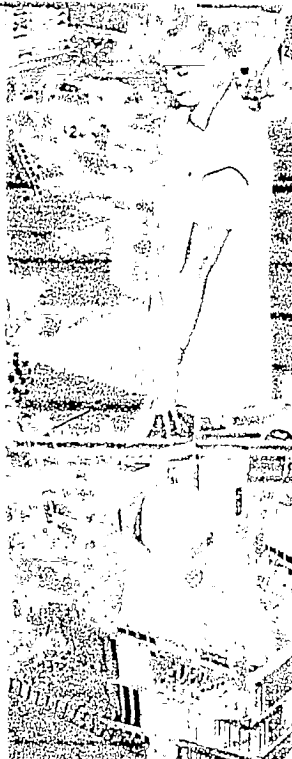
Our efforts at recruiting and developing more efficient and better trained personnel continued throughout the year by means of a variety of Company-operated training programs designed to suit various purposes. In addition, many employees attended outside courses sponsored by such groups as the American Management Association. The Company is continuing its support of the Food Distribution program at Michigan State University through its sponsorship of several employees who are currently attending the University.

The Labor Relations Department completed an active year, which saw the negotiation of approximately 51 collective bargaining agreements, of which many were major contracts involving large numbers of employees. In general these negotiations were conducted in a spirit of mutual trust and confidence.

Pictured on this and the opposite page are a few of the many and varied types of work which are performed in the operation of our business.

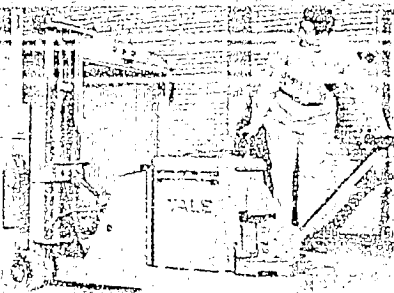
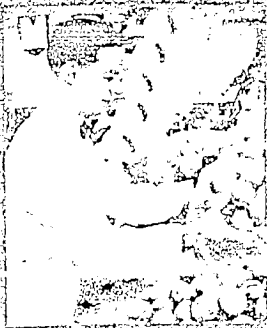
LOOKING AHEAD

Sensational short-term developments are not characteristic of large scale food distribution. Vigorous effort is applied to sales promotion and effective cost controls, and we foresee no basic changes in the near future. Your Management is gathering experience in certain non-food lines, making sure, however, that we do not neglect our primary function of efficient food distribution. Our aim will always be to merit a healthy share of the available retail food market, realizing the great opportunities for growth in the areas where the Company now operates.



SHOWN HERE ARE
SOME EMPLOYEES AT
WORK ILLUSTRATING
A FEW OF THE
MANY AND VARIED
SKILLS REQUIRED
TODAY IN THE
OPERATION OF OUR
BUSINESS





Acme
SUPER MARKETS

